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SUBJECT: Indonesia Launches Climate Change Trust Fund

¶1. On September 14, Indonesia's Ministry of National Development Planning announced the "soft" launch of the Indonesia Climate Change Trust Fund (ICCTF). Through the ICCTF, the Government of Indonesia (GOI) aims to achieve a low-carbon economy with greater resilience to climate change and to link international sources of financing with national investment strategies. The ICCTF's main mitigation priority areas are the energy sector and sustainable management of forestry and peat lands. The adaptation priority areas are agriculture, water resources and coastal zone management (including fisheries). The GOI moved up the ICCTF launch announcement in advance of this month's rapid series of high-level climate change talks, starting with the Major Economies Forum meeting in Washington and culminating in the Pittsburgh G20 Summit.

¶2. The GOI sees the ICCTF as the means to finance its Nationally Appropriate Mitigation Actions (NAMAs). A 20 Year Climate Change Sectoral Roadmap will provide the basis for developing Indonesia's NAMAs. Together with Indonesia's 2010-2014 Medium Term Development Plan, this Roadmap will, when finalized, guide ICCTF's activities. The GOI aims to complete the Roadmap by October at the earliest, but no later than December's climate change negotiations in Copenhagen.

¶3. It was a "soft" launch because the ICCTF's structure, mechanisms and policies are not yet fully defined. The United Nations Development Program will serve as the interim Trustee until a "national financial institution" is appointed by the Ministry of Finance through a fair and open bidding process. The timing of the ICCTF launch caught donors by surprise. However, the United Kingdom re-pledged an existing commitment of 10 million pounds. Australia has also pledged AUS\$2 million for the first year of ICCTF activities. Norway has similarly pledged an initial 1 million Euros. In its first phase, the ICCTF will have an Innovation Fund mechanism that operates solely with grant funding from development partners and other contributors. From 2012 onwards, the ICCTF will shift to a Transformation Fund mechanism that will accept multiple sources of financing -- public and private -- in addition to grants.

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